



**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

**NORTHBRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Northridge Local School District
Licking County
6097 Johnstown-Utica Road
Johnstown, Ohio 43031

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northridge Local School District, Licking County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northridge Local School District, Licking County, Ohio, as of June 30, 2005, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2005, the District implemented Governmental Accounting Standards Board Technical Bulletin 2004-002, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 17, 2006

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The discussion and analysis of the Northridge Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2005 are as follows:

- Net assets of governmental activities decreased \$578,396.
- General revenues accounted for \$10,510,639 in revenue or 87 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$1,534,339, 13 percent of total revenues of \$12,044,978.
- Total assets of governmental activities increased \$739,918. The majority of the increase was due to an increase in property taxes receivable of \$402,994, an increase in capital assets of \$497,349, an increase in income taxes receivable of \$61,516, an increase in intergovernmental receivable of \$96,609, and a decrease in cash and cash equivalents of \$464,400.
- The School District had \$12,623,374 in expenses related to governmental activities; only \$1,534,339 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$10,510,639 were not sufficient to cover the remaining expenses and resulted in a reduction in net assets of \$578,396.
- The School District has three major funds; the general fund, the debt service fund, and the building fund. The general fund had \$10,039,499 in revenues, \$10,750,584 in expenditures, and \$28,626 in other financing sources (uses). The general fund's balance decreased \$682,459. The debt service fund had \$824,261 in revenues and \$823,863 in expenditures. The debt service fund's balance increased \$398. The building fund had no revenues and \$707,818 in expenses due to a contract payable. The building fund ended with a (\$707,818) balance. The building fund was awaiting monies from a bond sale dated August 3, 2005 for a chiller, boiler, and air handler unit project.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Northridge Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are reported as governmental including instruction, support services, operation of non-instructional services, debt service, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the debt service fund, and the building fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets for 2005 compared to 2004.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

**Table I
Net Assets**

	<u>Governmental Activities</u>		
	<u>2005</u>	<u>2004</u>	<u>Change</u>
Assets			
Current and Other Assets	\$6,773,242	\$6,530,673	\$242,569
Capital Assets	<u>14,602,326</u>	<u>14,104,977</u>	<u>497,349</u>
Total Assets	<u>21,375,568</u>	<u>20,635,650</u>	<u>739,918</u>
Liabilities			
Long-Term Liabilities	8,202,448	8,547,394	(344,946)
Other Liabilities	<u>6,131,466</u>	<u>4,468,206</u>	<u>1,663,260</u>
Total Liabilities	<u>14,333,914</u>	<u>13,015,600</u>	<u>1,318,314</u>
Net Assets			
Invested in Capital Assets, Net of Debt	6,450,321	6,258,568	191,753
Restricted	587,524	619,585	(32,061)
Unrestricted	<u>3,809</u>	<u>741,897</u>	<u>(738,088)</u>
Total Net Assets	<u><u>\$7,041,654</u></u>	<u><u>\$7,620,050</u></u>	<u><u>(\$578,396)</u></u>

Total assets increased \$739,918. The majority of the increase was due to an increase in property taxes receivable of \$402,994, an increase in capital assets of \$497,349, an increase in income taxes receivable of \$61,516, an increase in intergovernmental receivable of \$96,609, and a decrease in cash of \$464,400. The increase in property taxes receivable is due to the increase in assessed values of property within the School District. The increase in capital assets was due to the School District beginning a new project in fiscal year 2005 that is shown as construction in progress for the purchase and installation of a new chiller, boiler, and air handler unit. The increase in intergovernmental receivables was due mainly to a large receivable from Title VI-B. The decrease in cash was due to the increase in daily operational expenses.

Total liabilities increased \$1,318,314. Deferred revenue increased \$543,015 due to an anticipated increase in property taxes receivable. Contract payable increased \$678,854 due to the installation of the new chiller, boiler, and air handler unit project. Accrued wages increased \$81,425 due to the 2% increase in base wages in addition to step increases. Intergovernmental payables increased \$198,331 due to the increase in salaries and a payable to the Licking Educational Service Center for Title VI-B services that did not occur in fiscal year 2005. Accounts payable increased \$123,069 due mainly to a large payable for transportation services. Long-term liabilities decreased \$344,946 mainly because the School District made \$390,000 in principal payments during fiscal year 2005 towards their Energy Conservation Notes and the Classroom Facility Improvement Bonds. The HVAC computer equipment capital lease principal was reduced \$12,222.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005 and comparisons to fiscal year 2004.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

**Table 2
Changes in Net Assets**

	Governmental Activities	
Revenues	2005	2004
Program Revenues:		
Charges for Services	\$557,056	\$404,754
Operating Grants and Contributions	940,870	782,891
Capital Grants and Contributions	36,413	25,508
	1,534,339	1,213,153
General Revenue:		
Property Taxes	4,061,489	4,356,340
Income Taxes	1,694,991	1,582,937
Gain on Sale of Capital Asset	10,719	0
Grants and Entitlements	4,547,208	4,596,494
Investment Earnings	170,446	62,479
Miscellaneous	25,786	67,818
	10,510,639	10,666,068
Total Revenues	12,044,978	11,879,221
Program Expenses		
Instruction		
Regular	5,178,098	4,792,075
Special	1,381,739	1,197,411
Vocational	148,443	135,975
Support Services		
Pupil	281,159	284,493
Instructional Staff	402,608	290,983
Board of Education	9,275	6,746
Administration	1,003,588	913,018
Fiscal	491,748	444,424
Business	42,797	44,201
Operation and Maintenance of Plant	1,122,476	1,154,848
Pupil Transportation	1,188,646	1,013,400
Central	115,963	97,810
Operation of Non-Instructional Services:		
Food Service Operations	450,604	430,124
Community Services	3,616	13,655
Extracurricular Activities	379,576	334,291
Interest and Fiscal Charges	423,038	451,015
Total Expenses	12,623,374	11,604,469
Increase (Decrease) in Net Assets	(\$578,396)	\$274,752

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Net assets decreased by \$578,396 in fiscal year 2005. Revenues showed a slight increase of \$165,757 due mainly to an increase in operating grants and contributions of \$157,979, an increase in charges for services of \$152,302, an increase in interest earnings of \$107,967, an increase in income taxes of \$112,054, and a decrease in property taxes of \$294,851. The increase in charges for services was due to the School District seeing an increase of 100 students, an increase in food service participation, and an increase in extracurricular activities revenues. Property taxes revenues in fiscal year 2005 showed a decrease due mainly to the amount available as an advance in fiscal year 2004 being \$138,146 higher than in fiscal year 2005 which was recognized as general revenue in fiscal year 2004. Also, in fiscal year 2004 there were high collections of delinquent property taxes from prior years. Expenses increased by \$1,018,905 from the prior year. The majority of the increase is seen in regular instruction of \$386,023, special instruction of \$184,328, instructional staff of \$111,625, and pupil transportation of \$175,246. These increases are due to the School District employees receiving a 2% increase in base wages in addition to step increases and the increase in daily operational expenses.

Instruction comprises approximately 53 percent of governmental program expenses and support services make up approximately 37 percent of the program expenses of the School District.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

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**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	2005 Total Cost of Services	2005 Net Cost of Services	2004 Total Cost of Services	2004 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$5,178,098	\$5,052,099	\$4,792,075	\$4,706,129
Special	1,381,739	734,891	1,197,411	659,453
Vocational	148,443	119,898	135,975	113,554
Support Services:				
Pupil	281,159	281,159	284,493	284,493
Instructional Staff	402,608	359,396	290,983	279,673
Board of Education	9,275	9,275	6,746	6,746
Administration	1,003,588	981,084	913,018	894,673
Fiscal	491,748	491,748	444,424	444,424
Business	42,797	42,797	44,201	44,201
Operation and Maintenance of Plant	1,122,476	1,122,476	1,154,848	1,154,848
Pupil Transportation	1,188,646	1,166,198	1,013,400	987,892
Central	115,963	88,669	97,810	70,298
Operation of				
Non-Instructional Services:				
Food Service Operations	450,604	34,201	430,124	98,953
Community Services	3,616	(3,020)	13,655	4,098
Extracurricular Activities	379,576	185,126	334,291	190,866
Interest and Fiscal Charges	423,038	423,038	451,015	451,015
Totals	\$12,623,374	\$11,089,035	\$11,604,469	\$10,391,316

The above schedule clearly shows the dependence upon tax revenues and state subsidies for governmental activities. For 2005, only 13 percent of the governmental activities performed by the School District are supported through program revenues such as charges for services, grants and contributions. The remaining 87 percent is provided through taxes and entitlements.

The School District Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$12,012,309, expenditures of \$13,490,616, and other financing sources (uses) of \$33,626.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The School District is aware of the rapid decline in the cash balance, as well as the fund balance of the general fund. The Superintendent and Treasurer have compiled cost saving recommendations to present to the Board to help the School District through fiscal year 2006, and if approved, to eliminate the projected deficit in fiscal year 2007. The self-imposed budget cuts that have been identified which will result in savings are: begin all building classes at the same time which will allow the School District to run single bus routes, eliminate busing for students grades 9 through 12; implementation of an early retirement plan; curtailment of professional development expenditures; elimination of summer school offerings; salary and wage freezes; and increasing the cost charged to students participating in extracurricular activities (Pay-to-play). As the final option to be presented, the introduction of a six mill operating levy to be implemented in fiscal year 2008.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2005, the School District amended its general fund appropriations, but not significantly.

Budget basis revenue was \$9,960,791 compared to original estimates of \$7,280,645. Of this \$2,680,146 difference, most was due to conservative state subsidy and property and income tax estimates.

The School District's ending general fund balance was \$356,724.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$14,602,326 invested in land, buildings, furniture and equipment, vehicles, and construction in progress. Table 4 shows fiscal year 2005 balances compared to 2004.

**Table 4
Capital Assets at June 30, 2005
(Net of Depreciation)**

	<u>Government Activities</u>	
	<u>2005</u>	<u>2004</u>
Land	\$242,190	\$242,190
Land Improvements	571,439	590,540
Buildings and Improvements	11,935,558	12,082,796
Furniture and Equipment	1,126,197	1,146,167
Vehicles	19,124	43,284
Construction in Progress	<u>707,818</u>	<u>0</u>
Totals	<u><u>\$14,602,326</u></u>	<u><u>\$14,104,977</u></u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

See Note 10 for more detailed information of the School District's capital assets.

Debt

At June 30, 2005, the School District had \$7,444,187 in energy conservation notes, classroom facility improvement bonds, and capital leases outstanding.

**Table 5
Outstanding Debt, at Fiscal Year End**

	Governmental Activities 2005	Governmental Activities 2004
Energy Conservation Notes	\$280,000	\$365,000
Classroom Facility Improvement Bonds	7,120,000	7,425,000
Capital Leases	44,187	56,409
Totals	<u>\$7,444,187</u>	<u>\$7,846,409</u>

See Note 15 for more detailed information of the School District's debt.

Set-asides

For fiscal year 2005, Ohio law required school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks. For fiscal year 2005, this amounted to \$197,673 for each set aside. For fiscal year 2005, the School District had qualifying disbursements or offsets exceeding the \$197,673 requirement for textbooks and capital maintenance. See Note 20 for more detailed information of the School District's set-asides.

Closing Comments

As the preceding information shows, the School District relies heavily on its property tax payers, income tax payers, and state subsidies. As has been the case with all the school districts in the state of Ohio, the impact of natural disasters such as Katrina and Rita have negatively impacted the cost of operations. The excess costs created by these disasters, obviously could not be projected and school districts such as ours have had to absorb these costs where necessary. This and costs incurred to rehabilitate our recently built physical plant, have created a significant strain on our general fund, so much so that the School District could possibly face an operating deficit as soon as fiscal year 2007. The School District is utilizing every resource available to avoid this issue, however, projections are hard to make when the instability of state subsidies (HB 66) exist as they do today.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Eugene Foust, Treasurer at Northridge Local School District, 6097 Johnstown-Utica Road, Johnstown, Ohio 43031. You may also E-mail the treasurer at efoust@laca.org.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING AREA**

**STATEMENT OF NET ASSETS
JUNE 30, 2005**

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$1,012,683
Cash and Cash Equivalents in Segregated Accounts	381,627
Materials and Supplies Inventory	11,336
Inventory Held for Resale	16,509
Intergovernmental Receivable	140,017
Accrued Interest Receivable	2,707
Income Taxes Receivable	778,608
Prepaid Items	93,726
Accounts Receivable	17,777
Property Taxes Receivable	4,318,252
Nondepreciable Capital Assets	950,008
Depreciable Capital Assets, Net	13,652,318
<i>Total Assets</i>	21,375,568
Liabilities	
Accounts Payable	208,780
Accrued Wages and Benefits Payable	896,603
Contracts Payable	707,818
Matured Compensated Absences Payable	51,818
Accrued Interest Payable	33,065
Intergovernmental Payable	500,171
Deferred Revenue	3,733,211
Long-Term Liabilities:	
Due Within One Year	526,670
Due In More Than One Year	7,675,778
<i>Total Liabilities</i>	14,333,914
Net Assets	
Invested in Capital Assets, Net of Related Debt	6,450,321
Restricted for:	
Debt Service	417,255
Capital Projects	23,359
Budget Stabilization	58,147
Other Purposes	88,763
Unrestricted (Deficit)	3,809
<i>Total Net Assets</i>	\$7,041,654

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental Activities					
Instruction:					
Regular	\$5,178,098	\$52,431	\$59,603	\$13,965	(\$5,052,099)
Special	1,381,739	0	646,848	0	(734,891)
Vocational	148,443	0	28,545	0	(119,898)
Support Services:					
Pupil	281,159	0	0	0	(281,159)
Instructional Staff	402,608	0	43,212	0	(359,396)
Board of Education	9,275	0	0	0	(9,275)
Administration	1,003,588	0	22,504	0	(981,084)
Fiscal	491,748	0	0	0	(491,748)
Business	42,797	0	0	0	(42,797)
Operation and Maintenance of Plant	1,122,476	0	0	0	(1,122,476)
Pupil Transportation	1,188,646	0	0	22,448	(1,166,198)
Central	115,963	0	27,294	0	(88,669)
Operation of Non-Instructional Services:					
Food Service Operations	450,604	303,539	112,864	0	(34,201)
Community Services	3,616	6,636	0	0	3,020
Extracurricular Activities	379,576	194,450	0	0	(185,126)
Interest and Fiscal Charges	423,038	0	0	0	(423,038)
Totals	\$12,623,374	\$557,056	\$940,870	\$36,413	(\$11,089,035)

General Revenues

Property Taxes Levied for	
General Purposes	3,251,090
Debt Service	740,366
Classroom Facilities Maintenance	70,033
Income Taxes Levied for General Purposes	1,694,991
Gain on Sale of Capital Asset	10,719
Grants and Entitlements not Restricted to Specific Programs	4,547,208
Investment Earnings	170,446
Miscellaneous	25,786
Total General Revenues	10,510,639
<i>Change in Net Assets</i>	<i>(578,396)</i>
<i>Net Assets Beginning of Year - See Note 3</i>	<i>7,620,050</i>
<i>Net Assets End of Year</i>	<i>\$7,041,654</i>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	General	Debt Service	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$365,390	\$361,326	\$0	\$227,820	\$954,536
Cash and Cash Equivalents in Segregated Accounts	381,627	0	0	0	381,627
Restricted Assets:					
Cash and Cash Equivalents	58,147	0	0	0	58,147
Materials and Supplies Inventory	10,608	0	0	728	11,336
Inventory Held for Resale	0	0	0	16,509	16,509
Intergovernmental Receivable	2,500	0	0	137,517	140,017
Accrued Interest Receivable	2,707	0	0	0	2,707
Income Taxes Receivable	778,608	0	0	0	778,608
Prepaid Items	91,255	0	0	2,471	93,726
Accounts Receivable	6,347	0	0	11,430	17,777
Interfund Receivable	9,987	0	0	0	9,987
Property Taxes Receivable	3,499,364	767,043	0	51,845	4,318,252
Total Assets	\$5,206,540	\$1,128,369	\$0	\$448,320	\$6,783,229
Liabilities					
Accounts Payable	\$187,174	\$0	\$0	\$21,606	\$208,780
Accrued Wages and Benefits Payable	852,752	0	0	43,851	896,603
Contracts Payable	0	0	707,818	0	707,818
Matured Compensated					
Absences Payable	50,042	0	0	1,776	51,818
Interfund Payable	0	9,987	0	0	9,987
Intergovernmental Payable	368,976	0	0	131,195	500,171
Deferred Revenue	3,278,195	695,847	0	77,424	4,051,466
Total Liabilities	4,737,139	705,834	707,818	275,852	6,426,643
Fund Balances					
Reserved for Encumbrances	51,001	0	0	45,401	96,402
Reserved for Budget Stabilization	58,147	0	0	0	58,147
Reserved for Property Taxes	311,133	68,944	0	6,652	386,729
Unreserved:					
Undesignated, Reported in:					
General Fund	49,120	0	0	0	49,120
Special Revenue Funds	0	0	0	97,056	97,056
Debt Service Fund	0	353,591	0	0	353,591
Capital Projects Funds (Deficit)	0	0	(707,818)	23,359	(684,459)
Total Fund Balances	469,401	422,535	(707,818)	172,468	356,586
Total Liabilities and Fund Balances	\$5,206,540	\$1,128,369	\$0	\$448,320	\$6,783,229

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

Total Governmental Fund Balances \$356,586

Amounts reported for governmental activities in the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 14,602,326

Other long-term assets are not available to pay for current-period expenditures and, therefore, deferred in the funds:

Property Taxes Receivable	177,187	
Income Taxes Receivable	103,604	
Intergovernmental Receivable	32,516	
Student Fees	<u>4,948</u>	318,255

Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

Bonds Payable	(7,400,000)	
Accrued Interest Payable	(33,065)	
Capital Leases Payable	(44,187)	
Compensated Absences	<u>(758,261)</u>	<u>(8,235,513)</u>

Net Assets of Governmental Activities \$7,041,654

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	General	Debt Service	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$3,252,225	\$741,465	\$0	\$70,023	\$4,063,713
Income Taxes	1,691,999	0	0	0	1,691,999
Intergovernmental	4,835,744	82,796	0	573,435	5,491,975
Interest	171,989	0	0	0	171,989
Tuition and Fees	53,001	0	0	0	53,001
Extracurricular Activities	0	0	0	201,086	201,086
Charges for Services	0	0	0	303,539	303,539
Miscellaneous	34,541	0	0	466	35,007
Total Revenues	10,039,499	824,261	0	1,148,549	12,012,309
Expenditures					
Current:					
Instruction:					
Regular	4,979,034	0	0	54,838	5,033,872
Special	1,001,121	0	0	345,849	1,346,970
Vocational	136,979	0	0	0	136,979
Support Services:					
Pupils	273,016	0	0	0	273,016
Instructional Staff	355,690	0	0	28,341	384,031
Board of Education	9,275	0	0	0	9,275
Administration	968,912	0	0	0	968,912
Fiscal	469,835	11,379	0	9,583	490,797
Business	42,797	0	0	0	42,797
Operation and Maintenance of Plant	1,055,265	0	0	148,220	1,203,485
Pupil Transportation	1,177,206	0	0	0	1,177,206
Central	89,233	0	0	26,730	115,963
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	415,511	415,511
Community Services	0	0	0	3,616	3,616
Extracurricular Activities	177,405	0	0	175,663	353,068
Capital Outlay	0	0	707,818	0	707,818
Debt Service:					
Principal Retirement	12,222	390,000	0	0	402,222
Interest and Fiscal Charges	2,594	422,484	0	0	425,078
Total Expenditures	10,750,584	823,863	707,818	1,208,351	13,490,616
Excess of Revenues					
Over (Under) Expenditures	(711,085)	398	(707,818)	(59,802)	(1,478,307)
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	33,626	0	0	0	33,626
Transfers In	0	0	0	5,000	5,000
Transfers Out	(5,000)	0	0	0	(5,000)
Total Other Financing Sources (Uses)	28,626	0	0	5,000	33,626
Net Change in Fund Balances	(682,459)	398	(707,818)	(54,802)	(1,444,681)
Fund Balances Beginning					
of Year - Restated (See Note 3)	1,151,860	422,137	0	227,270	1,801,267
Fund Balances (Deficit) End of Year	\$469,401	\$422,535	(\$707,818)	\$172,468	\$356,586

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Net Change in Fund Balances - Total Governmental Funds (\$1,444,681)

***Amounts reported for governmental activities in the statement of activities
are different because***

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital Asset Additions	830,990	
Depreciation Expense	(310,734)	520,256

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

Gain on the Sale of Capital Assets	10,719	
Proceeds from the Sale of Capital Assets	(33,626)	(22,907)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Interest	(1,543)	
Student Fees	(570)	
Income Taxes	2,992	
Delinquent Taxes	(2,224)	
SERS Reimbursement	(9,221)	
Operating Grants	32,516	21,950

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

402,222

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.

2,040

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(57,276)

Change in Net Assets of Governmental Activities

(\$578,396)

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$2,463,234	\$3,369,997	\$3,369,997	\$0
Income Tax	1,193,956	1,633,475	1,633,475	0
Intergovernmental	3,535,777	4,834,620	4,837,365	2,745
Investment Earnings	24,157	33,049	33,049	0
Tuition and Fees	38,323	52,431	52,431	0
Miscellaneous	25,198	34,474	34,474	0
<i>Total Revenues</i>	<u>7,280,645</u>	<u>9,958,046</u>	<u>9,960,791</u>	<u>2,745</u>
Expenditures				
Current:				
Instruction:				
Regular	4,930,434	5,003,551	4,850,206	153,345
Special	902,691	946,047	946,047	0
Vocational	131,626	135,892	135,892	0
Other	82,000	98,886	98,886	0
Support Services:				
Pupil	291,866	284,531	284,531	0
Instructional Staff	285,014	335,720	335,720	0
Board of Education	11,478	9,570	9,570	0
Administration	1,003,602	935,073	935,073	0
Fiscal	469,565	447,715	447,715	0
Business	43,064	41,936	41,936	0
Operation and Maintenance of Plant	1,016,337	1,109,309	1,109,309	0
Pupil Transportation	1,067,000	1,069,557	1,069,557	0
Central	80,629	89,433	89,433	0
Extracurricular Activities	175,807	176,929	176,929	0
<i>Total Expenditures</i>	<u>10,491,113</u>	<u>10,684,149</u>	<u>10,530,804</u>	<u>153,345</u>
<i>Excess of Revenues Under Expenditures</i>	(3,210,468)	(726,103)	(570,013)	156,090
Other Financing Sources Uses				
Proceeds from Sale of Fixed Assets	24,578	33,626	33,626	0
<i>Net Change in Fund Balance</i>	(3,185,890)	(692,477)	(536,387)	156,090
<i>Fund Balance Beginning of Year</i>	829,405	829,405	829,405	0
Prior Year Encumbrances Appropriated	63,706	63,706	63,706	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$2,292,779)</u>	<u>\$200,634</u>	<u>\$356,724</u>	<u>\$156,090</u>

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2005**

Assets

Cash and Cash Equivalents	\$36,284
Cash and Cash Equivalents in Segregated Accounts	<u>34,072</u>
<i>Total Assets</i>	<u><u>\$70,356</u></u>

Liabilities

Accounts Payable	\$26
Intergovernmental Payable	34,046
Due to Students	<u>36,284</u>
<i>Total Liabilities</i>	<u><u>\$70,356</u></u>

See accompanying notes to the basic financial statements

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Northridge Local School District (the School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1962 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 120 square miles. It is located in Licking, Knox, and Delaware Counties, and includes Burlington Township and the Villages of Alexandria and Croton. The School District is staffed by 52 classified employees, 99 certificated full-time teaching personnel, and 7 administrative employees who provide services to 1,423 students and other community members. The School District currently operates five instructional buildings, one administrative building, and one garage.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, agencies and offices that are not legally separate from the School District. For Northridge Local School District, this includes general operations, food service, preschool, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District is associated with four jointly governed organizations and an insurance purchasing pool. These organizations are the Licking Area Computer Association, the Metropolitan Educational Council, the Central Ohio Special Education Regional Resource Center, the School Study Council of Ohio, and the Ohio School Boards Association Workers' Compensation Group Rating Plan, which are presented in Notes 17 and 19 to the basic financial statements. The School District is associated with a related organization, the Alexandria Public Library which is discussed in Note 18.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The School District uses two categories of funds: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are descriptions of the School District's major governmental funds:

General Fund The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund The debt service fund is used to account for the accumulation of resources for, and the payment of, bond principal, interest, and related costs.

Building Fund The building fund is used to account for capital upgrades to the School District's buildings.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities and certain payroll deductions.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (revenues) and decreases (expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year end.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, income taxes, interest, tuition, grants, fees, and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect at the time final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, except common stock noted below, are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "cash and cash equivalents" on the financial statements.

During fiscal year 2005, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and Wellpoint, Inc. (formally known as Anthem, Inc. until November 30, 2004 when Anthem, Inc. and WellPoint Health Networks, Inc. merged) common stock.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$171,989, which includes \$113,039 assigned from other School District funds.

The School District has segregated bank accounts for monies held separate from the School District's central bank account. These bank accounts are presented on the financial statements as "Cash and Cash Equivalents in Segregated Accounts" since these funds are not deposited into the School District treasury.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent the amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 20 for additional information regarding set-asides.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which the services are consumed.

I. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used.

Inventory consists of expendable supplies held for consumption, school clothing, and purchased and donated food held for resale.

J. Receivables and Payables

Receivables and payables are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

K. Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	25-50 Years
Buildings and Improvements	50-100 Years
Furniture and Equipment	10-50 Years
Vehicles	5-15 Years

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated on the statement of net assets.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees with ten years of experience with the School District.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which these payments will be made.

N. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, long-term notes, and capital leases are recognized as a liability on the governmental fund financial statements when due.

O. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, budget stabilization, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents unspent worker's compensation refunds.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations and music and athletic programs, and state and federal grants restricted to expenditures for specified purposes.

The government-wide statement of net assets reports \$587,254 of restricted net assets, of which \$462,927 is restricted by enabling legislation.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

R. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - RESTATEMENT OF PRIOR YEAR BALANCES AND CHANGES IN ACCOUNTING PRINCIPLES

Changes in Accounting For the fiscal year ended June 30, 2005, the School District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", and GASB Technical Bulletin No. 2004-02, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers", and early-implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Statement No. 40 modifies the disclosures for deposits and investments. See Note 6 "Deposits and Investments" for the required disclosures.

GASB Technical Bulletin No. 2004-02 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans. The implementation affected the fund balances of governmental funds, but had no effect on net assets. The effect of the implementation of this technical bulletin is presented below.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets, and had no material effect on the financial statements.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

**NOTE 3 - RESTATEMENT OF PRIOR YEAR BALANCES AND CHANGES IN ACCOUNTING PRINCIPLES
(Continued)**

Restatement of Fund Balance and Net Assets The implementation of Technical Bulletin No. 2004-02 and the understatement of cash and cash equivalents in segregated accounts, due to the understatement of Anthem Stock received through Anthem's demutualization, had the following effects on fund balance of the major and nonmajor funds and net assets on the governmental activities of the School District as they were previously reported.

	General Fund	Debt Service	Nonmajor	Total
Fund Balance, June 30, 2004	\$967,161	\$422,137	\$238,075	\$1,627,373
Cash and Cash Equivalents in Segregated Accounts	245,394	0	0	245,394
Technical Bulletin No. 2004-02 Intergovernmental Payable	(60,695)	0	(10,805)	(71,500)
Adjusted Fund Balance, June 30, 2004	\$1,151,860	\$422,137	\$227,270	\$1,801,267
		Governmental Activities		
Net Assets, June 30, 2004			\$7,374,656	
Cash and Cash Equivalents in Segregated Accounts			245,394	
Adjusted Net Assets, June 30, 2004			\$7,620,050	

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds had deficit fund balances as of June 30, 2005:

	Deficit Fund Balances
Title I	(\$181)
Student Intervention	(966)
Building	(707,818)

The deficit balances in the special revenue funds and capital projects fund are the result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The general fund had original appropriations in excess of estimated resources contrary to Section 5705.39, Revised Code, in the amount of \$2,292,779.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Compliance (Continued)

The following special revenue funds had final appropriations in excess of estimated resources contrary to Section 5705.39, Revised Code at June 30, 2005:

	<u>Excess</u>
Ohio Reads	(\$2,100)
Student Intervention	(15,672)
IDEA Part B	(95,837)
Title I	(559)
Title V	(6,478)
Drug Free School Grant	(4,468)
Improving Teacher Quality	(1,730)
Miscellaneous Federal Grants	(2,064)

In addition, several funds had appropriations in excess of estimated resources throughout the year.

The following special revenue funds had expenditures plus encumbrances in excess of appropriations contrary to section 5705.41, Revised Code:

	<u>Excess</u>
Miscellaneous State Grants	(\$2,260)
Class Size Reduction	(33,557)

In addition, several funds had expenditures plus encumbrances in excess of appropriations throughout the year.

The School District will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Non-budgeted activity was reported on the GAAP basis but not on the budgetary basis for segregated investment items.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the general fund:

Net Change in Fund Balance	
GAAP Basis	(\$682,459)
Net Adjustment for Revenue Accruals	57,525
Net Adjustment for Expenditure Accruals	294,296
Beginning:	
Non-budgeted Activity	245,394
Prepaid Items	83,552
Ending:	
Non-budgeted Activity	(381,627)
Prepaid Items	(91,255)
Transfer Out	5,000
Adjustment for Encumbrances	<u>(66,813)</u>
Budget Basis	<u><u>(\$536,387)</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,154,801 of the School District's bank balance of \$1,254,801 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledge to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments As of June 30, 2005, the School District had the following investments. All investments are in an internal investment pool except for the WellPoint, Inc. common stock which was held separately.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

	Fair Value	Maturity
STAROhio	\$6,707	33 Days
WellPoint, Inc. Common Stock	381,627	n/a
GASB Statement 3	\$388,334	

On November 2, 2001, WellPoint, Inc. (formally known as Anthem, Inc. until November 30, 2004 when Anthem, Inc. merged with WellPoint Health Networks, Inc.) converted from a mutual insurance company to a stock insurance company in a process called demutualization. On the date of demutualization, all membership interests were extinguished and the eligible members were entitled to receive consideration in the form of WellPoint, Inc.'s common stock. As a result of demutualization, the School District received 2,740 shares of WellPoint, Inc. common stock. On April 27, 2005, WellPoint, Inc. announced a 2 for 1 stock split making the School District's stock increase to 5,480 shares.

Interest Rate Risk

The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of two years. The Treasurer cannot make investments which he/she does not reasonably believe can be held until the maturity date. The stated intent of the policy is to avoid the need to sell securities prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices other than what has been approved by State statute.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. The School District's investments in WellPoint, Inc.'s common stock represented 98% of the School District's total investments.

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Real property tax revenue received in calendar 2005 represents collections of calendar 2004 taxes. Real property taxes received in calendar 2005 were levied after April, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 7 - PROPERTY TAXES (Continued)

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory.

Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however, the School District did not receive payment from the Licking County Auditor until July 2005.

The School District receives property taxes from Licking, Knox, and Delaware Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding, real property, personal property, public utility, and the late June personal property settlement which became measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 and the late personal property tax settlement were levied to finance current fiscal year operations and are reported as revenue at fiscal year end.

The amount available as an advance at June 30, 2005, was \$386,729, \$311,133 was available to the general fund, \$6,652 was available to the classroom facilities maintenance special revenue fund, and \$68,944 was available to the bond retirement debt service fund. The June 30 personal property tax settlement that was received July, 2005 amounted to \$18,588 in the general fund, \$285 in the classroom facilities maintenance special revenue fund, and \$2,252 in the bond retirement debt service fund. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential And Other Real Estate	\$167,133,310	92.76%	\$170,436,380	92.88%
Public Utility Personal	11,282,470	6.26%	11,151,740	6.08%
Tangible Personal Property	1,762,095	0.98%	1,912,160	1.04%
	<u>\$180,177,875</u>	<u>100.00%</u>	<u>\$183,500,280</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$39.05		\$39.05	

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 8 - INCOME TAX

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2001 and remains effective until December 31, 2005. On November 4, 2003 the School District renewed their one percent income tax levy. The new tax will be effective on January 1, 2006 and will remain effective until December 31, 2010. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

NOTE 9 - RECEIVABLES

Receivables at June 30, 2005 consisted of property taxes, income taxes, accounts (billings for user charged services, vendors commissions, and tuition and fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	<u>Amounts</u>
IDEA Part B	\$95,836
Improving Teacher Quality	32,516
National School Lunch Program	9,026
Bus Allowance	2,500
OHSAA Fees	<u>139</u>
Total	<u><u>\$140,017</u></u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Nondepreciable Capital Assets				
Land	\$242,190	\$0	\$0	\$242,190
Construction in Progress	0	707,818	0	707,818
Total Capital Assets not being depreciated	<u>242,190</u>	<u>707,818</u>	<u>0</u>	<u>950,008</u>
Depreciable Capital Assets				
Land Improvements	828,652	10,800	0	839,452
Buildings and Improvements	14,125,677	24,987	0	14,150,664
Furniture and Equipment	1,847,064	77,285	0	1,924,349
Vehicles	<u>286,820</u>	<u>10,100</u>	<u>(170,820)</u>	<u>126,100</u>
Total at Historical Cost	<u>17,088,213</u>	<u>123,172</u>	<u>(170,820)</u>	<u>17,040,565</u>
Less Accumulated Depreciation				
Land Improvements	(238,112)	(29,901)	0	(268,013)
Buildings and Improvements	(2,042,881)	(172,225)	0	(2,215,106)
Furniture and Equipment	(700,897)	(97,255)	0	(798,152)
Vehicles	<u>(243,536)</u>	<u>(11,353)</u>	<u>147,913</u>	<u>(106,976)</u>
Total Accumulated Depreciation	<u>(3,225,426)</u>	<u>(310,734)</u>	<u>147,913</u>	<u>(3,388,247)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>13,862,787</u>	<u>(187,562)</u>	<u>(22,907)</u>	<u>13,652,318</u>
Governmental Activities Capital Assets, Net	<u>\$14,104,977</u>	<u>\$520,256</u>	<u>(\$22,907)</u>	<u>\$14,602,326</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$120,402
Special	23,361
Vocational	12,584
Support Services:	
Pupil	8,985
Instructional Staff	17,970
Administration	24,907
Fiscal	2,393
Operation and Maintenance	26,768
Pupil Transportation	11,440
Extracurricular	26,508
Food Service Operations	<u>35,416</u>
Total Depreciation Expense	<u>\$310,734</u>

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2005, the School District contracted with Employers Mutual Casualty Company for all of their insurance. The types and amounts of coverage provided follows:

Building and Contents - Replacement Cost (\$2,500 deductible)	\$29,502,541
School Equipment (\$2,500 deductible)	6,521,684
Boiler and Machinery (\$2,500 deductible)	36,024,225
Extra Expense / Business Income (\$2,500 deductible)	1,000,000
Automobile Liability Bodily Injury	
Per Occurrence (\$100 deductible comprehensive and \$250	250,000
Aggregate Per Year (\$100 deductible comprehensive and	
\$250 collision)	500,000
Uninsured Motor Vehicle Bodily Injury	
Per Occurrence	250,000
Aggregate Per Year	500,000
General Liability	
Per Occurrence	1,000,000
Aggregate Per Year	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$155,752, \$89,273, and \$59,229 respectively; 46 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. \$84,566 represents the unpaid contribution for fiscal year 2005.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS Ohio. That report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$679,897, \$608,363, and \$527,087 respectively; 80 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$18,404 made by the School District and \$21,661 made by the plan members.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio, (STRS Ohio), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District this amount equaled \$52,300 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. For the School District, the amount contributed to fund health care benefits during the 2005 fiscal year equaled \$70,657.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants receiving health care benefits.

NOTE 14 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated by employees with no maximum carrying amount. Upon retirement, payment is made for one-fourth of accrued unused sick leave.

B. Health Care Benefits

The School District provides health and drug insurance for all eligible employees through Anthem Blue Cross/Blue Shield. The School District pays medical and drug monthly premiums for staff of \$674.51 for family coverage and \$303.36 for single coverage. The School District also provides dental insurance for all eligible employees through Medical Benefit Mutual. The School District's share of the monthly premium for dental insurance coverage is \$62.81 for family and \$21.54 for single employees. The School District provides vision insurance through Vision Plus. The School District pays \$8.58 per month for all eligible employees.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem Life. Premiums are paid from the same funds that pay the employees' salaries.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 15 - LONG TERM OBLIGATIONS

Changes in long-term obligations of the School District during fiscal year 2005 were as follows:

	Principal Outstanding 6/30/2004	Additions	Deductions	Principal Outstanding 6/30/2005	Due Within One Year
Energy Conservation Notes - 4.05%-5.75%	\$365,000	\$0	\$85,000	\$280,000	\$85,000
Classroom Facility Improvement Bonds - 5.75% - 6.75%	7,425,000	0	305,000	7,120,000	330,000
Capital Leases	56,409	0	12,222	44,187	12,844
Compensated Absences	700,985	131,294	74,018	758,261	98,826
Total General Long-Term Obligations	<u>\$8,547,394</u>	<u>\$131,294</u>	<u>\$476,240</u>	<u>\$8,202,448</u>	<u>\$526,670</u>

On May 7, 1997, the School District issued \$747,000 in unvoted energy conservation notes, for the purpose of installing energy conservation improvements for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2008. The debt will be retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements. Tax revenues were allocated from the general fund to the bond retirement debt service fund to meet current fiscal year obligations.

Principal and interest requirements to retire the energy conservation notes outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	\$85,000	\$13,476	\$98,476
2007	95,000	8,434	103,434
2008	100,000	2,875	102,875
Total	<u>\$280,000</u>	<u>\$24,785</u>	<u>\$304,785</u>

The School District issued Classroom Facility Improvement Bonds in 1995 in the amount of \$9,112,344 to meet the matching requirement for a classroom facility project involving the Ohio School Facilities Commission. The project included an addition and improvements to the District's facilities. The bonds bear interest of 5.75 to 6.75% and are retired through the bond retirement debt service fund.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 15 - LONG TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the school facilities bonds outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$330,000	\$386,793	\$716,793
2007	350,000	369,870	719,870
2008	375,000	351,376	726,376
2009	395,000	331,351	726,351
2010	420,000	309,747	729,747
2011-2015	2,545,000	1,156,043	3,701,043
2016-2019	<u>2,705,000</u>	<u>323,007</u>	<u>3,028,007</u>
Total	<u>\$7,120,000</u>	<u>\$3,228,187</u>	<u>\$10,348,187</u>

Capital leases will be paid from the general fund and compensated absences will be repaid from the general fund and food service special revenue fund.

The School District's overall legal debt margin was \$9,395,025, with an unvoted debt margin of \$183,500 at June 30, 2005.

NOTE 16 - INTERFUND TRANSACTIONS

There is an outstanding advance of \$9,987 from the general fund to the bond retirement debt service fund for a principal payment on the energy conservation notes. The interfund payable is anticipated to be repaid within one year.

Interfund transfers during fiscal year 2005 consisted of the general fund transferring \$5,000 to the athletic special revenue fund, due to the School District forgiving an outstanding advance from the general fund to the athletic special revenue fund.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Licking Area Computer Association

The School District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services fourteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists. The School District's payments to LACA for computer services for fiscal year 2005 were \$100,548. Financial statements for LACA can be obtained from their fiscal agent - the Career and Technology Education Centers of Licking County, 150 Price Road, Newark, OH 43055.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate.

The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. School District payments to MEC for fiscal year 2005 were \$127,367 for insurance and membership. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

C. Central Ohio Special Education Regional Resource Center

The Central Ohio Special Education Regional Resource Center (COSERRC) provides special education services at a regional level and assists school districts in complying with the mandates of P.L. 101-476 and P.L. 99-457 for educating children with disabilities. The Northridge Local School District has a cooperative agency agreement with COSERRC. There is no financial commitment by the School District for its participation in COSERRC. The School District has one representative on the governing board. Nothing was paid to COSERRC during fiscal year 2005. Further information may be obtained by contacting the Central Ohio Special Education Regional Resource Center at 470 Glenmont Avenue, Columbus, Ohio 43214.

D. School Study Council of Ohio

The School Study Council of Ohio (Council) is a jointly governed organization operated by a Board of Trustees (Board). The Council is comprised of 81 member organizations. The purpose of the Council is to bring about the improvement of education in member school organizations. School districts maintain active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and to vote. School districts that elect to be associate members are entitled to attend meetings and participate in Council discussions but are not entitled to vote. The Board is annually elected from within the Council's active membership. In fiscal year 2005, the Board consisted of seventeen members. In fiscal year 2005, Northridge Local School District obtained active membership privileges and paid a membership fee of \$461. Financial information may be obtained by contacting the School Study Council of Ohio at 4807 Evanswood Drive, Suite 300, Columbus, Ohio 43229.

NOTE 18 - RELATED ORGANIZATION

Alexandria Public Library

The Alexandria Public Library is statutorily created as a separate and distinct political subdivision. Seven trustees of the Library are appointed by the School District. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Due process is required to remove board members. No subsidies are provided by the School District.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 19 - INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 20 - SET-ASIDE CALCULATIONS

The Northridge Local School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Effective April 10, 2001, Senate Bill 345 eliminated the requirement for a budget reserve; however, the remaining amount of the budget reserve funded with workers' compensation refunds or rebates may only be used to offset a budget deficit or certain other expenditures as defined in State statute.

The following cash basis information describes the changes in the year-end set-aside amounts for textbooks, capital acquisitions and budget stabilization. Disclosure of this information is required by the State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside reserve balance as of June 30, 2004	(\$551,110)	(\$30,838)	\$58,147
Current year set-aside requirement	197,673	197,673	0
Current year offsets	0	(81,731)	0
Qualifying Disbursements	<u>(321,400)</u>	<u>(360,139)</u>	<u>0</u>
Totals	<u>(\$674,837)</u>	<u>(\$275,035)</u>	<u>\$58,147</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$674,837)</u>	<u>(\$30,838)</u>	<u>\$58,147</u>
Set-aside Reserve Balance as of June 30, 2005	<u>\$0</u>	<u>\$0</u>	<u>\$58,147</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook and capital improvement set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements of future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$58,147.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 21 - CONTINGENCIES

A. Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

B. Litigation

One lawsuit is pending against the School District. Any potential liability against the School District is currently unknown.

NOTE 22 - CAPITALIZED LEASES

The School District has entered into a capitalized lease for HVAC computer equipment from Johnson Controls, Inc. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The agreement provides for minimum annual lease payments as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$12,844	\$1,971
2007	13,499	1,317
2008	14,186	629
2009	3,658	46
Total	<u>\$44,187</u>	<u>\$3,963</u>

The equipment was originally capitalized in the amount of \$66,000. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2005 totaled \$12,222 in the governmental funds.

Property under Capital Lease	\$66,000
Less: Accumulated Depreciation	<u>(2,887)</u>
Total June 30, 2005	<u>\$63,113</u>

NOTE 23 - CONTRACTUAL OBLIGATION

As of June 30, 2005, the School District had a contractual purchase commitment with Synergy Mechanical Contractors, Inc. for a chiller, boiler, and air handler unit. The amount of the contract is as follows:

<u>Contractor</u>	<u>Fund</u>	<u>Purchase Commitment</u>	<u>Amounts Paid as of 6/30/2005</u>	<u>Amounts Remaining on Contract</u>
Synergy Mechanical Contractors, Inc.	Building	\$871,160	\$0	\$871,160

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 24 - SUBSEQUENT EVENTS

The School District issued School Energy Conservation Improvement Serial Bonds, Series 2005 on August 3, 2005 in the amount of \$995,000 at varying interest rates of 4.25 to 4.75%.

On September 7, 2005, the School District sold their WellPoint, Inc. demutualization common stock at \$73.84/share for a total value of \$404,667.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Northridge Local School District
Licking County
6097 Johnstown-Utica Road
Johnstown, Ohio 43031

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northridge Local School District, Licking County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 17, 2006, wherein we noted the District implemented Governmental Accounting Standards Board Technical Bulletin 2004-002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated March 17, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the District's management dated March 17, 2006, we reported other matters related to noncompliance we deemed immaterial.

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We intend this report solely for the information and use of the audit committee, management, and the Board of Education. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 17, 2006

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2005**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	2005-001
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Non-Compliance Citation - Appropriations Exceeding Certified Resources

Ohio Revised Code Section 5705.39 states in part that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditures therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. As of June 30, 2005, the District had appropriations exceeding certified resources available for expenditures in the following funds:

Fund	Total Certified Resources	Appropriations	Variance
Ohio Reads (459)	\$24,697	\$26,797	(\$2,100)
Student Intervention (460)	11,828	27,500	(15,672)
IDEA Part B (516)	182,009	277,846	(95,837)
Title I (572)	93,805	94,364	(559)
Title V (573)	7,808	14,286	(6,478)
Drug Free School Grant (584)	6,510	10,978	(4,468)
Improving Teacher Quality (590)	33,592	35,322	(1,730)
Miscellaneous Federal Grants (599)	1,250	3,314	(2,064)

In addition, the most significant variances below were noted throughout the year in the following funds:

Fund	Total Certified Resources	Appropriations	Variance
General Fund (001)	\$8,134,628	\$10,427,407	(\$2,292,779)
Food Services (006)	351,620	379,278	(27,658)
School Net (450)	5,467	7,858	(2,391)
Ohio Reads (459)	22,047	22,979	(932)
IDEA Part B (516)	1,035	277,845	(276,810)
Title I (572)	5,691	90,218	(84,527)
Title V (573)	1,101	14,286	(13,185)
Drug Free School Grant (584)	2,141	10,978	(8,837)
Improving Teacher Quality (590)	1,528	92,372	(90,844)
Miscellaneous Federal Grants (599)	624	7,483	(6,859)

We recommend the Treasurer review the Amended Certificates of Estimated Resources and Supplemental Appropriation Measures to ensure that total appropriations from each fund do not exceed the total of the certified resources available for expenditure. Appropriating and spending more than what is estimated to be available in a fund could result in a deficit fund balance.

Management's Response:

We did not update our Amended Certificate of Estimated Resources in as timely a fashion as we did our Supplemental Appropriation Measure. Therefore, our appropriations exceeded our total certified resources at the times noted throughout the year.

**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2005
(Continued)**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number	2005-002
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Non-Compliance Citation - Expenditures Exceeding Appropriations

Ohio Revised Code Section 5705.41(B) states in part that no subdivision or taxing unit is to make any expenditure of money unless it has been appropriated as provided in such chapter. As of June 30, 2005, the District had expenditures plus outstanding encumbrances exceeding appropriations within the following funds:

Fund	Appropriations	Budgetary Expenditures	Variance
Miscellaneous State Grants (499)	\$2,540	\$4,800	(\$2,260)
Improving Teacher Quality (590)	35,322	68,879	(33,557)

In addition, the most significant variances below were noted throughout the year in the following funds:

Fund	Appropriations	Budgetary Expenditures	Variance
Public School Support (018)	\$34,368	\$72,179	(\$37,811)
Classroom Facilities Maintenance (034)	104,476	160,139	(55,663)
District Managed Student Activities (300)	44,979	98,305	(53,326)
Data Communications for School Buildings (451)	0	15,000	(15,000)
School Net Professional Development (452)	916	1,581	(665)
Ohio Reads (459)	23,577	24,025	(448)
Student Intervention (460)	0	8,469	(8,469)
Miscellaneous State Grants (499)	2,540	4,530	(1,990)

Expenditures in excess of appropriations could cause the District to spend more money than it has available and could result in fund deficits. We recommend the Treasurer periodically compare actual expenditures plus outstanding encumbrances to appropriations to avoid potential overspending and fund deficits.

Management's Response:

We did not update our final Supplemental Appropriation Measure in time to account for the variances noted throughout the year. However, the majority of the variances noted throughout the year were corrected when the final Supplemental Appropriation Measure was passed.



**Auditor of State
Betty Montgomery**

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**NORTHRIDGE LOCAL SCHOOL DISTRICT
LICKING COUNTY**

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 23, 2006**